

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201507031**  
Release Date: 2/13/2015  
Date: November 21, 2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

B= website  
C= State  
D= organization name  
X= scholarship name  
Y= college name  
Z= City, State

Dear \_\_\_\_\_ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program called X.

Your purpose is to in engage charitable activities enhancing access to higher education. Specifically, you provide scholarships to students who attend Y located in Z who meet the

criteria to attend the college. Students who are residents of C and are attending Y are eligible to apply for scholarships, and you advertise the scholarship program on the B.

The number of scholarships that will be awarded each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed. You are required to annually distribute the greater of the net income of the trust or the amount that must be distributed to satisfy Code Section 4942.

Each year you advise the scholarship advisory committee of the amount of funds available to be awarded as scholarships. Your scholarship advisory committee consists of faculty members of Y to assist in making the selections. The members of the scholarship advisory committee review the scholarship applications and rank the applications based on the scholastic standings of such persons, their moral character and financial need with special emphasis to students who are taking technical vocational training and members of the D. Your scholarship advisory committee then submits its recommendations to you, and you make the final decision. All scholarships are awarded on an objective and non-discriminatory basis. No scholarships may be awarded to any disqualified person in Code Section 4946.

Your scholarship advisory committee also makes a recommendation to you regarding the amount that should be awarded to each participant. You will make the final determination as to the amount awarded based on available funds. Scholarships can be renewed as long as the scholarship requirements are met by the recipient.

You pay the scholarship proceeds directly to Y and provide a letter to Y asking the college to advise you if any student does not register so that their share may be re-allocated.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds. You will ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You also represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants described above.

#### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b) (1) (A) (ii).

**Other conditions that apply to this determination**

This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request. The effective date of our approval is May 17, 2013, which is the date your request was submitted.

- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations